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Farm Rental Income

Production costs include those expenses which relate directly to the production of farm commodities, such as the cost of feed, seed, plants, fertilizer, fuel, machinery repair, pesticides, and other supplies. Living expenses of the tenant and family, the value of work furnished by the tenant, or overhead expenses such as taxes and depreciation don't count.

Test 2—Make Decisions

You regularly and frequently make decisions that significantly affect the success of the farm operation. Decisions include when to plant, cultivate, dust, spray, or harvest the crop; what goods to buy, sell, or rent; what farming standards to follow; what records to keep; when and how bills are to be paid; etc. You do **not** meet Test 2 if you decide only what crops and livestock to raise, what type of machinery to use, where to plant, and what land to leave idle.

Test 3—Take Part In The Work

You work at least 100 hours spread over 5 or more weeks on activities connected with crop production. The weeks need not be consecutive. Your income counts if you do this amount of work, even if you do nothing else. Work of less than 5 weeks **may** count. If your efforts make a significant contribution to crop production, it will be considered along with the other ways that you participate.

But remember—any work you do that is not called for in your rental arrangement does **not** count. For example, any work you do under a separate agreement with your tenant to work part time as an employee doesn't count.

Test 4—Combination Of Factors

The first three tests are based on the more common activities of farm landlords. Even if you don't meet Test 1, 2, or 3, your activities, when considered together, may be enough.

Agricultural Program Payments

If you meet one of these four tests, wheat and cotton program payments and similar government payments you receive **count for Social Security,** just as they do for farm operators. If you don't meet any of the tests, such payments **don't count.** However, you must include these payments in your earnings for income tax purposes, whether or not they count for Social Security.

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Rental income generally does not count for credit under Social Security. But, farm rental income **does** count if you're a farm landlord and your rental arrangement calls for you to play an important role in farm production or management. (Your activities may sometimes be called "material participation.") Activities by an agent, if you have one, would not count. This factsheet explains what you have to do for your rental income to count.

The Rental Arrangement

Probably no two farm rental arrangements are exactly alike. But all are similar in that the landlord agrees to let the tenant use the farm to produce farm products, and the tenant agrees to pay the landlord in cash or crop shares for use of the property. You're a "landlord" if you rent or lease to another person land that you own or rent from someone else.

As landlord, you decide on the terms of the arrangement. If the income is to count for Social Security, the arrangement must provide for you to play an important role.

The arrangement between you and your tenant may be oral or written. An advantage of a written arrangement is that it makes it easier to establish your intention. An oral agreement may later make it necessary to obtain statements from your tenant and others who know the facts about how the two of you had planned to operate.

Tests For Determining If Your Rental Income Counts

Your rental income will count for Social Security if you satisfy **any one** of these four tests.

Test 1—You Do Any Three Of The Following Four Activities:

Inspect Production Activities

You meet this part of Test 1 if you inspect the farm from time to time to see if needed work is being done properly and on time. The number of required inspections will depend on the size and kind of farm.

Inspections during plowing, planting, cultivating, and harvesting will count. But if you inspect only the condition of farm property or improvements (such as buildings, fences, etc.), then the inspections do **not** count.

Consult With The Tenant

Advice to or consultation with your tenant about what, where, when, or how farm commodities are to be produced count. Again, the amount of advice and consultation needed is determined by the kind and size of the farm.

Furnish Tools, Equipment, And Livestock

If you furnish at least half of the tools, equipment, and livestock used to produce the farm commodities, you furnish a significant part and meet this part of Test 1. One-fifth or less would probably not be considered significant. Whether an amount between a fifth and a half is significant depends on all the facts.

Share Production Expenses

If you're responsible for paying at least half of the production costs, you meet this part of the test. Probably, it would not be considered significant if you were responsible for paying only one-fifth or less of the production costs. Whether an amount between a fifth and a half would be significant depends on all the facts.